

U.S. AGRICULTURAL EXPORTS

Importance of Exports to the Farm Sector

Since the early 1970's, U.S. agriculture has devoted more of its resources to, and generated a greater share of income from the export market. Today, production from two out of every five acres goes overseas, compared with one out of five in 1970. The value of farm exports as a share of marketings has doubled in the past 10 years and currently represents about 25 percent of farmers' cash receipts. It is becoming more apparent that domestic demand alone cannot support the U.S. farm sector when it is operating at full capacity. Exports are crucial to the economic health and well-being of American agriculture.

Prices and income received by farmers have been responsive to changes in exports over the years, and this is nowhere more clearly illustrated than during the 1970's. The two major export booms--first in 1972/73 then again in 1978/79 through 1980/81--were closely paralleled by substantial farm price increases. The rapid growth in foreign demand allowed U.S. farmers to take land formerly set aside and put it back into production, thereby reducing government expenditures on supply-control and income-support measures. During the past two years export demand has slackened, contributing to the current problems of excess stocks and the subsequent acreage reduction program in 1983. This illustrates the importance of changes in export markets to the U.S. farm economy.

Exports are particularly important to selected sectors of the farm economy. Sixty percent of wheat and rice production, over half of soybeans and cotton, and a third of corn, sorghum and tobacco, are exported. In contrast, only 1 percent of U.S. meat production and 5 percent of fruit and vegetable production enters export channels.

Farm Exports in the U.S. Economy

Every dollar of agricultural export earnings generates just over a dollar in related activity throughout the rest of the economy. Processing, packaging, handling, transportation, and marketing are a few of the areas that have benefitted from export expansion. Approximately 3 percent of the Gross National Product is derived from farm exports. On the employment side, agricultural exports generate over 1.0 million jobs of which nearly 60 percent are related to processing, handling and distribution of products for export.

Bulk grains and oilseeds make up 80 to 85 percent of U.S. agricultural exports. These are land intensive crops that require the efficient use of land and machinery in order for any one farmer--and the United States in general--to remain competitive. This, in turn, tends to lower unit production costs, which leads to lower food prices for the consumer. As a result, the U.S. consumer spends, on average, just over 13 percent of personal disposable income on food compared with 17 to 24 percent in Western Europe, 35 percent in the Soviet Union, 40 percent in Mexico, and 55 percent in India.

Mainstay of U.S. International Position

Agricultural exports account for approximately one-fifth of total U.S. exports--more than any other single major product grouping. A record \$43.8 billion of farm products was exported in 1981. The efficiency and capability of the U.S. farm sector is more striking when one looks at net trade. The surplus of agricultural exports over imports climbed to nearly \$27 billion in 1981 compared with a deficit of \$56 billion in the nonagricultural sector. Alternatively, the U.S. agricultural trade surplus was equivalent to 40 percent of our imported oil that year. In addition, 40 to 50 percent of U.S. agricultural imports--items such as coffee, cocoa, rubber, bananas, and tea--are products that we do not produce, and therefore do not detract from U.S. output. Yet jobs are provided in handling, processing, and distribution just as they would a domestically produced commodity.

U.S. agricultural exports serve humanitarian and political interests as well as those of producers and consumers in this country. Since 1954, the United States has shipped 300 million tons of food aid to developing countries--although in the early years, Western Europe and Japan were significant recipients--to provide emergency disaster relief, long term economic development assistance, and improved nutritional programs.

Another important aspect of the P.L. 480 program is that many former recipients are now commercial markets, the most celebrated one being Japan. As a result of the rapid expansion in commercial sales during the 1970's, concessional sales, which accounted for one-third of agricultural exports in the late 1950's, are now less than 5 percent of the total.

Key Element in the World Food Supply-Demand Balance

The United States is primarily a residual supplier of raw agricultural materials to the world. Since the mid-1920's, there has been a gradual shift in the composition of U.S. agricultural exports. Cotton dominated as late as the 1940's, supplying the world with raw materials for textile production. Following World War II, U.S. food shipments provided relief to much of war-torn Europe and Asia. This aid was expanded in the mid-1950's with the advent of Public Law 480. Food since that time has constituted the major share of U.S. farm exports. In the early 1960's, however, most developed and some developing countries intensified their livestock feeding practices, purchasing more U.S. grains, protein meal and other feeds for animal rations. Today, half of U.S. farm exports are for direct food use--wheat, rice, fruits, vegetables and meat--while over a third go for feed use and other farm inputs such as breeder cattle, and the remainder are raw materials used in industrial processes, such as textile, cigarette and shoe production.

The world food supply and demand balance showed signs of a major shift in the early 1970's. A global population growth rate of 1.9 percent was adding roughly 65 million new mouths to feed each year, and much of that increase was in low-income developing countries. At the same time, rapid income growth was fueling demand for improved diets in most of the industrialized and a number of the high-income developing countries. This

increase in effective demand could only be met by suppliers--such as the United States--who were able to expand production without putting unnecessary strain on the remainder of the economy. Such a strain would show up in significant price increases, the result of having to outbid the rest of the economy for resources.

The United States is a reliable supplier of food. It is capable of filling the needs of any one country with expedience and a quality product, given the rigorous U.S. inspection requirements. This is one reason why the United States is the world's largest supplier of agricultural products accounting for 18 to 20 percent of the value of world agricultural trade. In terms of volume, the United States shipped 162 million tons of agricultural products overseas in 1981, or nearly 40 percent of the world's total. This dramatic increase in market share is due to the predominance of low-value, bulk commodity exports such as grains and oilseeds.

The Recent Decline

During the 1970's there were major shifts in U.S. agricultural exports, as foreign demand rose sharply. Fueled by economic growth, expanded world liquidity, and policy changes in various markets, demand for food imports increased and U.S. production and exports of basic foods and feeds met the foreign deficit. During the decade U.S. wheat, soybean and meal exports doubled while feedgrain exports tripled. The USSR and China became our major grain markets and the European Community our major soybean market.

World Wide Recession

The world fell into a deep recession in 1981, which slowed growth in world trade. With high real interest rates and real rates of return on capital, the U.S. dollar appreciated (in real terms) by 10 percent in 1981 and another 9 percent in 1982. This appreciation acted as a tax on U.S. exports, further eroding the competitiveness of U.S. products overseas. As a result of the worldwide economic slowdown and the dollar appreciation, many countries eventually had to reduce or alter their food consumption which, in turn meant reducing U.S. food imports. Indirectly, the demand for grains and other feedstuffs used in animal feeds was lowered, reflecting lower meat demand.

1981 saw the confluence of a number of factors that had a negative affect on U.S. farm exports. Those mentioned above slowed the demand for food, but do not tell the whole story. Economic conditions in certain countries became so bad that the ability to pay for food--whether directly as food or indirectly as feedstuffs--was seriously in doubt. The foreign exchange necessary for many countries in Africa, Latin America, and Asia to purchase goods was unavailable as their own export prices were falling, lowering revenues and limiting their ability to import. With the world economic pie growing smaller, impacting negatively on employment and income, several countries attempted to insulate the domestic market from the international market through various forms of protectionism such as tariffs and quotas. The agricultural sector was not immune from this action.

Finally, policy decisions in the world's foremost Centrally planned countries are playing a pivotal role, particularly in the grain market. Governments determined the level of and source of imports in these countries. The Soviet Union and China lowered their purchases from a

combined total of 23 million tons in fiscal 1982 to 11 million in 1983. Although China did have a record wheat crop, both countries consciously intended to lower the U.S. market share.

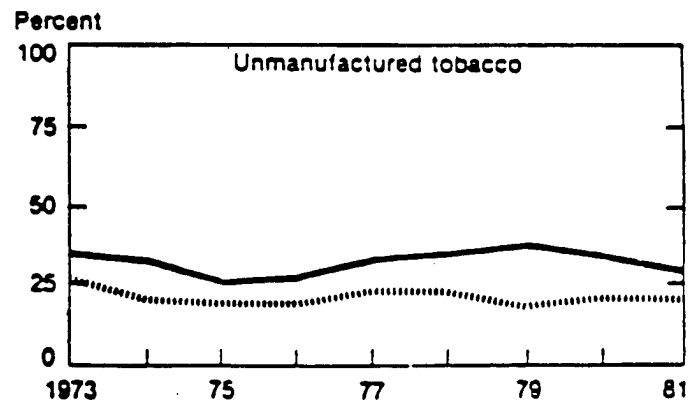
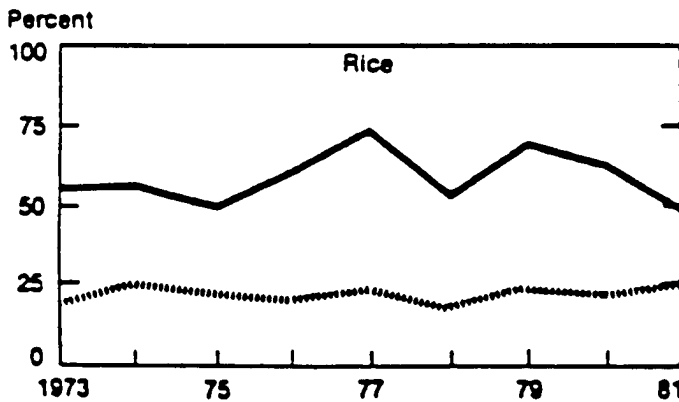
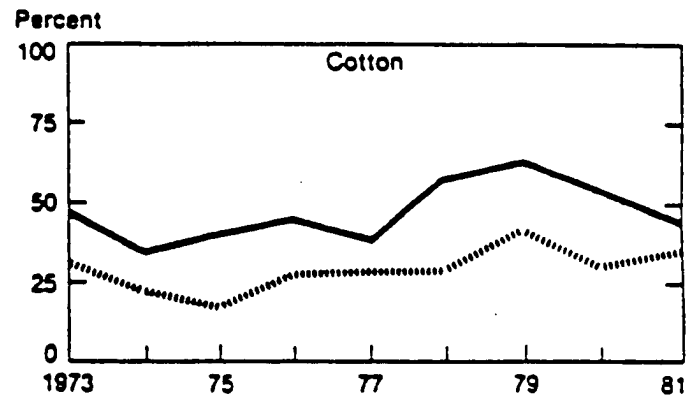
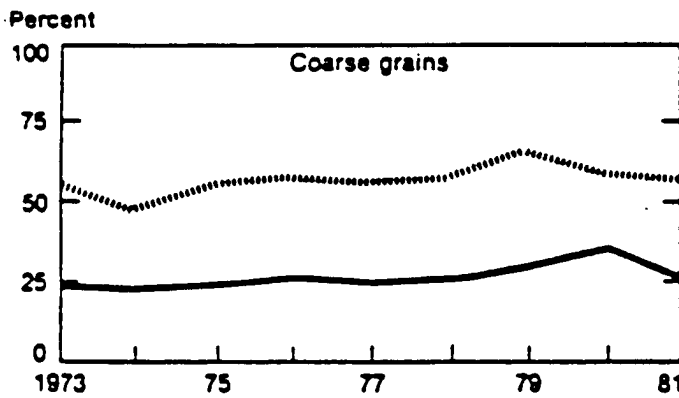
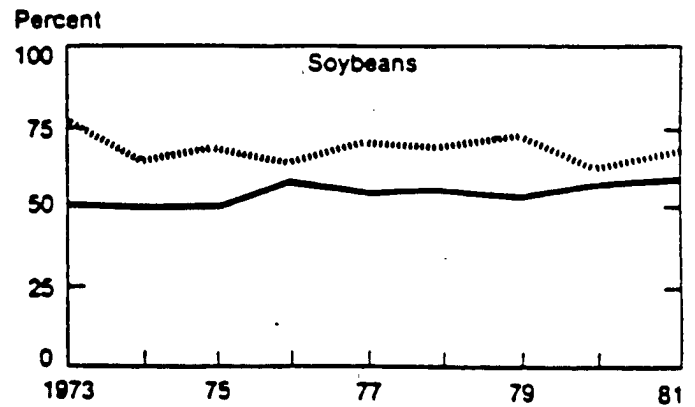
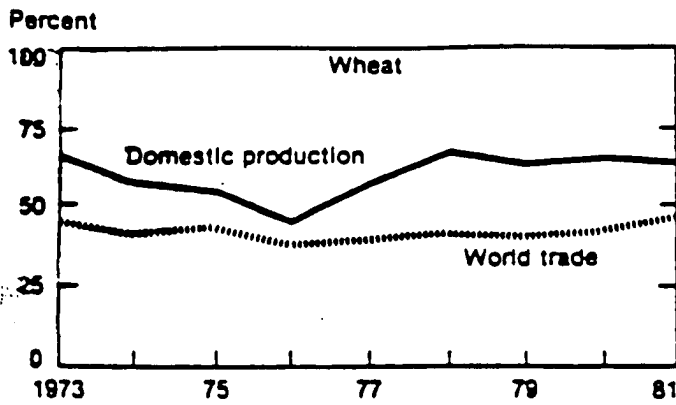
While both economic factors and policy decisions adversely affected U.S. exports, abundant supplies in competitor countries added to the problem. Though no new major competitors have entered, price and credit competition strengthened as record Canadian wheat exports moved this year and both Argentina and the European Community offered financial incentives to increase foreign wheat sales and minimize domestic stockbuilding. The rising value of the dollar in many commodities has offset the declining U.S. prices and allowed competitors to capture sales. Without recent large credit programs for U.S. exports, to counter those of some competitors and to offset extreme financial constraints in several markets, our shipments this year would have been worse.

Agricultural export prospects for the next year are brighter because of an expected world economic recovery, recent policy agreements on grains with the Soviet Union and textiles with China, and reduced competitor supplies in some commodities. Higher prices should boost the value of agricultural exports. However, the strong dollar and still-weak demand for livestock products could temper the immediate outlook for U.S. exports of foods, feeds and fiber. In the mid-to-late-1980's, U.S. exports are expected to rise with population and income growth abroad. However, the annual expansion in U.S. exports for the decade of the 1980's is expected to be at less than half the rate of the 1970's.

U.S. Agricultural Exports, 1960-82

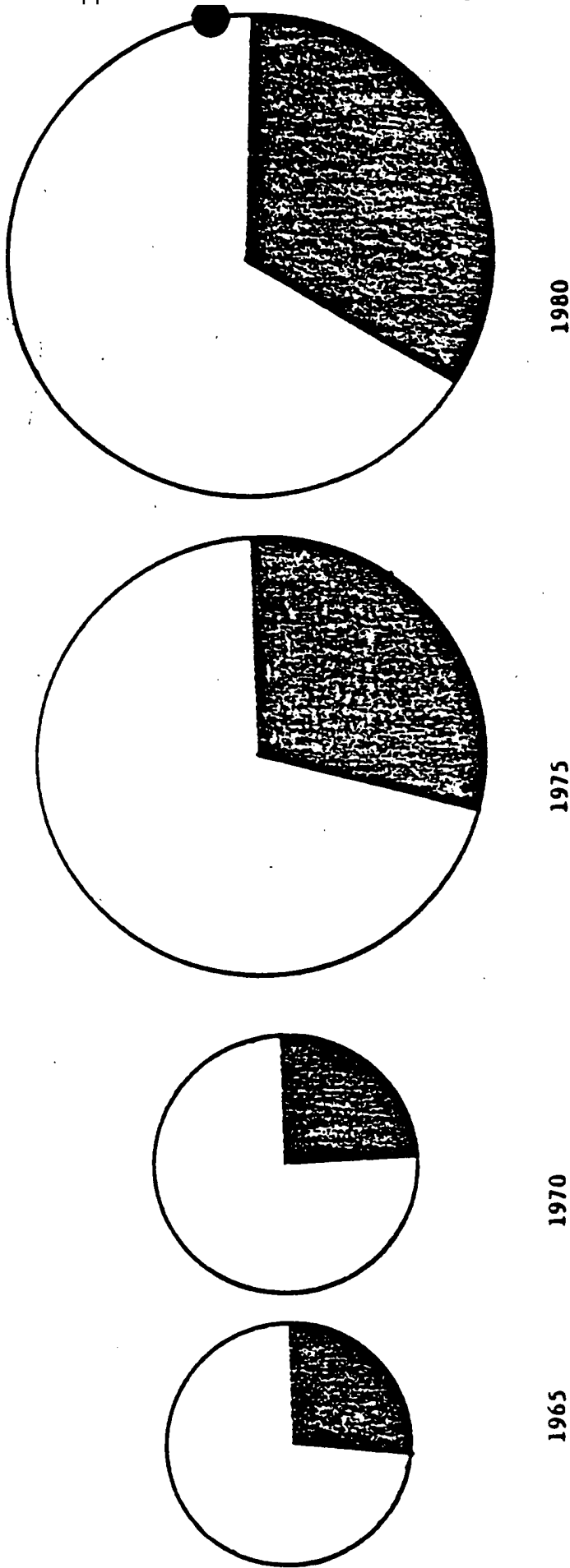
CALENDAR	:	DEVELOPED COUNTRIES	:	LESS DEVELOPED COUNTRIES	:	CENTRALLY PLANNED ECONOMIES	:	TOTAL
-- Million dollars --								
1960	:	2,974	:	1,688	:	170	:	4,832
1	:	3,130	:	1,718	:	176	:	5,024
2	:	3,038	:	1,808	:	188	:	5,034
3	:	3,311	:	2,012	:	261	:	5,584
4	:	3,689	:	2,264	:	395	:	6,348
5	:	3,923	:	2,100	:	206	:	6,229
6	:	4,238	:	2,388	:	255	:	6,881
7	:	3,858	:	2,359	:	163	:	6,380
8	:	3,840	:	2,323	:	140	:	6,303
9	:	3,850	:	2,061	:	111	:	6,022
1970	:	4,739	:	2,335	:	185	:	7,259
1	:	4,890	:	2,524	:	279	:	7,693
2	:	5,821	:	2,800	:	780	:	9,401
3	:	10,633	:	4,975	:	2,072	:	17,680
4	:	12,756	:	7,609	:	1,580	:	21,945
5	:	12,510	:	7,518	:	1,831	:	21,859
6	:	13,742	:	6,824	:	2,412	:	22,978
7	:	14,560	:	7,372	:	1,704	:	23,636
8	:	16,292	:	9,707	:	3,383	:	29,382
9	:	18,172	:	10,798	:	5,779	:	34,749
1980	:	21,317	:	14,562	:	5,354	:	41,233
1	:	22,088	:	15,965	:	5,284	:	43,337
2	:	19,059	:	13,340	:	4,223	:	36,622

U.S. Exports: Share of Domestic Production and World Trade



Crop years used for share of domestic production.

ACREAGE HARVESTED FOR EXPORT



Total Acreage
Acreage for Export

Total Acreage Harvested (m.ac.)

Acreage Harvested for Exports (m.ac.)

Export Acreage as a Percent of Total (%)

Agricultural Exports As Share of Domestic Production, Selected Commodities, 1971-1982

COMMODITY	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82
	-- 1,000 Metric Tons --											
Wheat	Exp Prodn %	18,572 44,052 42	17,343 42,081 49	27,806 46,560 60	30,405 48,496 63	31,127 57,885 54	25,384 58,480 43	33,627 55,670 60	32,984 48,322 68	37,625 58,080 65	44,015 64,618 68	44,117 71,117 65
Rice	Exp Prodn %	1,621 2,796 56	1,675 2,828 59	1,696 3,034 56	2,217 3,667 60	1,953 4,099 48	2,317 3,781 61	2,276 3,120 73	2,396 4,271 56	2,955 4,324 68	3,172 4,838 66	3,990 5,001 61
Corn	Exp Prodn %	12,716 105,471 12	19,939 143,421 14	31,544 141,733 22	28,822 119,420 24	43,126 148,361 29	42,454 159,751 27	49,112 165,235 30	53,897 184,613 29	61,417 201,654 30	59,368 168,787 35	61,601 203,321 30
Grain	Exp Prodn %	3,649 17,353 21	3,110 22,048 14	5,366 20,355 26	5,362 15,817 34	5,789 19,161 30	6,225 18,055 34	5,392 19,837 27	5,222 18,575 28	8,199 20,546 40	7,702 14,712 52	8,202 23,322 52
Sunflower	Exp Prodn %	-- -- --	-- -- --	-- -- --	-- -- --	312 357 87	403 389 104	932 1,252 74	1,383 1,732 80	2,013 3,309 61	1,727 1,697 102	1,606 1,606 102
Soybeans	Exp Prodn %	16,990 30,675 55	15,299 32,008 48	18,257 34,580 53	16,393 33,102 50	20,920 42,139 50	20,335 35,070 58	26,623 48,097 55	27,739 50,859 55	32,858 61,722 53	27,695 48,772 57	33,333 54,446 66
Almonds	Exp Prodn %	n.a. 67 n.a.	n.a. 73 n.a.	n.a. 68 n.a.	n.a. 103 n.a.	50 87 57	61 127 48	74 136 54	55 78 71	108 165 65	92 144 64	102 144 64
Peanuts	Exp Prodn %	n.a. 1,022 n.a.	n.a. 1,024 n.a.	n.a. 1,121 n.a.	n.a. 1,256 n.a.	134 1,317 10	269 1,281 21	352 1,272 28	392 1,354 29	374 1,359 28	157 790 20	157 790 20
Walnuts	Exp Prodn %	n.a. 37 n.a.	n.a. 45 n.a.	n.a. 38 n.a.	n.a. 51 n.a.	18 65 28	15 60 25	18 63 29	12 52 23	17 68 25	20 64 31	20 64 31
Tallow	Exp Prodn %	1,089 2,225 49	1,020 2,363 44	978 2,303 42	895 2,569 35	929 2,178 43	1,216 2,619 46	1,149 2,713 42	1,183 2,663 44	1,409 2,702 52	1,354 2,950 46	1,354 2,950 46
Cotton	Exp Prodn %	916 2,219 41	661 2,281 29	1,273 2,984 43	892 2,513 35	727 1,807 40	980 2,304 43	1,316 3,133 42	1,341 2,364 57	1,986 3,185 62	1,210 2,422 50	1,210 2,422 50
Tobacco	Exp Prodn %	288 761 38	238 773 31	273 698 39	263 794 33	267 871 31	290 853 34	273 764 36	287 808 36	283 609 46	252 713 35	252 713 35
Hops	Exp Prodn %	11 21 62	15 21 61	14 21 61	11 26 42	12 25 48	13 26 50	11 25 44	14 25 56	18 25 72	17 34 50	17 34 50

Agricultural Exports As Share of Domestic Production, Selected Commodities, 1971-1982

COMMODITY	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82
	-- 1,000 Metric Tons --											
Meats, Exp	144	114	178	144	227	132	185	199	228	353	661	7
Dried	789	723	816	738	922	791	809	751	859	929	1,197	4
Prod'n	18	16	22	20	25	17	23	26	27	38	55	5
Poultry Exp	67	64	73	85	85	155	194	194	208	320	395	3
Prod'n	4,651	4,691	4,923	4,875	4,941	4,845	5,385	5,535	5,880	6,519	6,619	9
Exp	1	1	1	2	2	3	4	4	4	5	6	1
Pork	27	44	75	40	80	127	127	104	101	85	101	1
Prod'n	6,667	7,260	6,542	5,998	6,500	5,343	5,755	6,009	6,075	7,008	7,537	1
Exp	--	1	1	1	1	2	2	2	2	1	1	1
Beef & Veal	18	21	31	31	17	36	39	54	57	59	69	1
Prod'n	10,103	10,184	10,374	9,813	10,715	11,271	12,166	11,844	11,282	9,926	9,999	1
Exp	--	--	--	--	--	--	--	--	1	1	1	1
Apples, Exp	49	54	68	86	106	111	124	142	155	237	311	1
Prod'n	2,839	2,759	2,661	2,836	2,962	3,222	2,933	3,044	3,422	3,662	3,996	1
Fresh	2	2	3	3	4	3	4	5	5	6	8	1